

August 22, 2013

**VIA ELECTRONIC FILING**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: Connect America Fund, WC Dockets 10-90 and 05-337

Dear Ms. Dortch:

Alaska Communications Systems (“ACS”) opposes the recent advocacy of Puerto Rico Telephone Company, Inc. (“PRTC”)<sup>1</sup> to the extent that it would result in price cap local exchange carriers (“LECs”) serving areas outside the contiguous United States (“non-CONUS” carriers) receiving for Phase II of the Connect America Fund (“CAF”) the same frozen and incremental support amounts they are allotted in CAF Phase I, and the same build-out obligations associated with those amounts. ACS believes that such an approach at this stage in these proceedings would dissuade the public interest by underfunding Alaska price cap areas and creating an insurmountable barrier to further broadband deployment in a state that historically has been underfunded and underserved.

The Commission directed the Bureau to “consider the unique circumstances of [Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands and Northern Mariana Islands] when adopting a cost model” and “consider whether the model ultimately adopted adequately accounts for the costs faced by carriers serving these areas.”<sup>2</sup> ACS has demonstrated with specificity the unique difficulties, including the higher costs, inherent in deploying, operating and maintaining broadband-capable networks in its Alaska service areas.<sup>3</sup> ACS has committed extensive

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<sup>1</sup> Letter to Marlene H. Dortch, Secretary, Federal Communications Commission from Tom

<sup>2</sup> *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, para. 193 (2011) (subsequent history omitted) (the “*USF/ICC Transformation Order*”).

<sup>3</sup> See, e.g., *Connect America Fund; High-Cost Universal Service Support*, Comments of Alaska Communications Systems Group, Inc., WC Docket Nos. 10-90 and 05-337 (filed July 9, 2012); *Connect America Fund; High-Cost Universal Service Support*, Reply Comments of

resources and worked diligently with the Wireline Competition Bureau and the other price cap carriers toward appropriate modifications to the Connect America Model (“CAM”) to reflect these unique cost differences. For example, in February 2012 ACS submitted a model of the undersea cable costs that were not captured by the model;<sup>4</sup> in September 2012 ACS presented its critique of the model in the Bureau’s live workshop; and in the past several months ACS has submitted additional cost-based model inputs and proposed specific adjustments to the model’s assumptions to ensure that Alaska-specific costs are captured in the CAM.<sup>5</sup>

ACS believes that progress is being made in incorporating changes to the CAM to reflect the unique circumstances of providing universal voice and broadband services in Alaska, and to ensure that CAF Phase II support is sufficient for meaningful progress towards the Commission’s universal broadband goal. If the current version of the CAM is adopted with ACS’s proposed Alaska-specific changes, ACS believes that the CAM will produce a reasonable amount of support and an appropriate build-out plan for Alaska price cap territories.

The *USF/ICC Transformation Order* directs the Bureau to adopt a model that reflects local cost differences at a granular level precisely to ensure that the unique costs of serving remote and rural areas are captured by the model.<sup>6</sup> To the extent that other non-CONUS carriers may be concerned that the CAM will fail to provide sufficient support reflecting the forward-looking costs of their service areas, let them submit their evidence and work with the Bureau to

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Alaska Communications Systems Group, Inc., WC Docket Nos. 10-90 and 05-337 (filed July 23, 2012) (“ACS Model Reply Comments”).

<sup>4</sup> See Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Karen Brinkmann, Counsel for Alaska Communications Systems, in WC Docket Nos. 10-90 and 05-337 (filed Feb. 13, 2012) (submitting ACS Model of non-terrestrial transport costs in Alaska pursuant to the Bureau’s *Request for Connect America Fund Cost Models*, Public Notice in WC Docket Nos. 10-90 and 05-337, DA 11-2026 (Wireline Competition Bur., rel. Dec. 15, 2011), and submitted pursuant to the Second Protective Order in WC Docket Nos. 10-90 and 05-337, DA 12-192 (Wireline Competition Bur., rel. Feb. 10, 2012)).

<sup>5</sup> See Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Richard R. Cameron, Alaska Communications Systems, in WC Docket Nos. 10-90 and 05-337 (filed July 9, 2013) (proposing five specific adjustments to the CAM); Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Karen Brinkmann, Counsel for Alaska Communications Systems, in WC Docket Nos. 10-90 and 05-337 (filed July 25, 2013) (submitting Alaska inputs to the CAM); Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Richard R. Cameron, Alaska Communications Systems, in WC Docket Nos. 10-90 and 05-337 (filed July 30, 2013) (filing supplemental information in support of ACS’s proposed adjustments to the CAM).

<sup>6</sup> *USF/ICC Transformation Order*, para. 188 (“We conclude that the CAF Phase II model should estimate costs at a granular level – the census block or smaller – in all areas of the country. Geographic granularity is important in capturing the forward-looking costs associated with deploying broadband networks in rural and remote areas.”).

ensure that the CAM accurately captures location-specific cost differences. Alternatively, if the Bureau determines that the model does not provide sufficient support for any particular non-CONUS areas, it “may maintain existing support levels, as modified in [the *USF/ICC Transformation Order*], to any affected price cap carrier....”<sup>7</sup> However, in order to do so, the Bureau need not maintain existing support levels for all non-CONUS carriers – nothing in the *USF/ICC Transformation Order* demands this type of all-or-nothing approach.

Finally, ACS urges the Bureau to continue to refine the model for all price cap carriers – CONUS and non-CONUS alike – rather than proceeding with one group before the other. ACS believes that the Bureau can best address the concerns of non-CONUS carriers, and the needs of their customers, by evaluating all the price cap carriers simultaneously and further, it is the most logical way to ensure that the total support allocated under CAF Phase II remains within the annual \$1.8 billion budget set in the *USF/ICC Transformation Order*.<sup>8</sup> Leaving the non-CONUS carriers under Phase I while the CONUS carriers migrate to Phase II would be detrimental to consumers. Phase I provides very limited amounts of support (at least for Alaska) under very restrictive build-out rules that will fail to stimulate broadband expansion into more than a small number of unserved locations. As ACS has demonstrated, modifying the CAM and implementing a reasonable build-out schedule for Phase II would do far more to expand broadband availability into residential customer locations in Alaska – indeed, under ACS’s proposal, virtually every ACS customer accessible by road would gain access to affordable broadband. This would never happen by leaving ACS under CAF Phase I. Accordingly, ACS respectfully opposes this aspect of PRTC’s advocacy.

Please direct any questions arise concerning this filing to me.

Very truly yours,

/s/

Karen Brinkmann  
*Counsel for ACS*

cc: Julie Veach	Amy Bender
Carol Matthey	Alex Minard
Steve Rosenberg	Travis Litman
Michael Jacobs	Talmage Cox
Katie King	Dania Ayoubi
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<sup>7</sup> *USF/ICC Transformation Order*, para. 193 (emphasis added).

<sup>8</sup> *See id.*